

ADMINISTRATION, AUDIT, AND ENFORCEMENT

During the 2000-2001 reporting period, the Charitable Gaming Division initiated and/or resolved separate administrative actions involving gaming licenses. Below is a summary of the Division's Administrative Actions:

Administrative Orders Issued:

License Denial	1
Cease and Desist	1
Other	1

Administrative Actions Initiated and Pending:

Administrative Fine	1
License Denial	6
License Revocation	2
Tax Assessment	1

Administrative Actions Initiated and Resolved without an Order:

License Denial, Suspension, Cancellation, Revocation	
Rescinded*	12
Resolved by Operation of Law**	39
Resolved by Stipulation, Suspension and/or Fine***	12
Dismissed	4
Administrative Fine	
Waiver of Hearing and Payment of Fine***	15
Dismissed	2

*License denials were rescinded for a number of reasons, including the applicant withdrew the application and the payment of delinquent taxes in instances where the license denial was based on nonpayment of taxes.

**Resolution by operation of law occurs when a license application denial becomes final because a license applicant does not respond to a Notice of Intent to Deny within the 30-day time period allowed to request an administrative hearing.

***Total amount collected: \$5,402. Monies collected from the fines assessed are deposited by the State Treasurer into the Permanent School Fund for the support and maintenance of schools in Nebraska.

Temporary licenses and authorizations were granted by the State Tax Commissioner to applicants where the Department sought to deny a license application in order to protect the rights of the parties during the pendency of any administrative or court proceedings. As of the close of the annual reporting period, the following temporary licenses and authorizations had been granted:

Class II Bingo	1
Bingo Gaming Manager	2
Utilization of Funds Member	2
Class I Lottery by the Sale of Pickle Cards	1
Pickle Card Operator	8
Pickle Card Authorizations	14

The Policy/Licensing Section of the Charitable Gaming Division is responsible for the licensing of individuals, businesses, counties, cities, and villages, and nonprofit organizations which conduct charitable gaming activities in Nebraska. It is also responsible for the implementation of legislation enacted by the Nebraska Legislature relative to charitable gaming activities, identifying needed legislative changes in the charitable gaming areas which it regulates, recommending and drafting proposed legislation relative to charitable gaming, promulgating administrative regulations and revenue rulings to clarify and supplement statutory provisions, the development and publication of information guides and a biannual newsletter for gaming licensees, and for the rendering of day-to-day opinions and interpretations of charitable gaming laws.

During this past legislative session, the Nebraska Legislature enacted LB142, LB268, and LB541. LB142 authorized the creation of municipal counties. Policy staff worked with Senator Schimek's office in addressing the disposition of county/city lotteries conducted by a county, city, or village which becomes part of a municipal county and is subsequently dissolved after the creation of the municipal county. LB268 increased the number of days a qualifying nonprofit organization may conduct special event bingo from two per calendar year not exceeding a total of four days in duration to two per calendar year not exceeding a total of 14 days in duration. The bill also increased the number of times a premises may be used for special event bingo per calendar year from two to 14 days. LB541, an appropriation bill relating to the Cash Reserve Fund, reduced the amount of money which is to be transferred each year from the Charitable Gaming Operations Fund to the Compulsive Gamblers Assistance Fund to a maximum of \$50,000 each fiscal year. Prior to this change, Neb. Rev. Stat. §83-162.06 (R.S.Supp. 2000) required, for fiscal year 2000-01 and each fiscal year thereafter, the money remaining in the Charitable Gaming Operations Fund not used by the Charitable Gaming Division in its administration and enforcement duties be transferred to the Compulsive Gamblers Assistance Fund. LB541 repealed §83-162.06.

During the 2001 Legislative Session, the General Affairs Committee introduced, on behalf of the Department of Revenue, LB545 and LB546. Both of these bills were advanced to General File and will be carried over to the 2002 session. LB545 addresses changes with respect to the licensing of county/city lottery workers. LB546 addresses a number of technical issues relating to bingo, lottery by pickle cards, and lottery/raffle activities conducted by nonprofit organizations and county/city lotteries conducted by counties, cities, or villages. One significant change, if enacted, would be the ability for the Department to prorate charitable gaming licensing fees. With the implementation of biennial licensing this past year, the ability to prorate license fees on an annual basis will be more equitable to those licensees who discontinue their gaming activities during the first year of the biennium and those new license applicants who do not apply for a license until the second year of the biennium.

Revised bingo regulations were drafted and a public hearing was held on December 14, 2000. The revised bingo regulations were not approved by the Attorney General due to an exception noted with the use of electronic bingo card monitoring devices and a procedural error in the hearing notification process. After revising the proposed regulations on the use of electronic bingo card monitoring devices, another public hearing was held on October 11, 2001. At the time of publication of this report, the regulations are being reviewed again by the Attorney General.

A public hearing was held on August 24, 2001, to change the expiration date of county/city lottery licenses from September 30 of odd-numbered years to May 31 of even-numbered years. In addition, the expiration date of current county/city lottery licensees was extended until May 31, 2002. The purpose of this change was to shift the processing of county/city lottery license renewal applications from the busiest period for Charitable Gaming Division staff and to spread license renewal application processing work over the entire year. These changes were effective on September 29, 2001.

The Policy staff continue to work on revisions to pickle card, lottery/raffle, and county/city lottery regulations to reflect recent statutory changes and address other regulatory issues. Public hearings are expected to be held in 2002.

In August of this year, the Licensing staff began the initial phase of the biennial licensing of certain types of charitable gaming licensees. Nonprofit organizations which are tax exempt under section 501(c)(3) or (c)(4) of the Internal Revenue Code were converted to biennial licensing effective October 1, 2001. Pickle card operator and commercial lessor license applicants were also converted to biennial licensing effective October 1, 2001. The remainder of the nonprofit organizations will be converted to biennial licensing effective October 1, 2002.

Due to declining wagering in charitable gaming activities, there continue to be proposals made to the Policy/Licensing Section by interested parties to enhance the existing games. A number of proposals have been received and reviewed by our office relating to enhancements to the game of keno. Currently pending is a proposal to offer a \$2 million progressive keno jackpot involving a 5-ball draw as opposed to the usual 20-ball draw.

An additional enhancement was made to the Charitable Gaming Division's portion of the Department of Revenue's Web site. Now included on the Web site is an online database containing the names of individuals currently licensed as county/city lottery workers. The database also contains the names of individuals who have recently filed a county/city lottery worker license application but such applications have not completed processing. The information is accessed by county/city lottery licensees to make certain lottery workers are licensed or have an application on file before commencing their duties.

The Audit Section of the Charitable Gaming Division has responsibility for the enforcement and compliance review of licensed organizations conducting bingo, pickle card, and lottery/raffle, and of licensed counties, cities, and villages conducting city/county lottery (keno) activity. The section is also responsible for the review of certain financial aspects of the computerized keno systems that are approved by the Department for use in county and city lottery operations.

In addition to routine and requested field audits, the Audit Section conducted monthly reviews of the pickle card tax returns submitted by licensed distributors; monthly review of the pickle card activity of organizations with significant cash shortages; reviews of bingo paper usage reflected on quarterly reports filed by Class II bingo licensees; quarterly reviews of the tax returns submitted by organizations conducting bingo and lottery/raffle and by counties, cities, and villages conducting keno; annual reviews of the gaming activity reports for counties, cities, and villages conducting keno and all nonprofit organizations which were involved in charitable gaming activity. The activity breakdown is as follows:

652	Pickle card annual reports reviewed
219	Bingo annual reports reviewed
202	Lottery/raffle annual reports reviewed
131	County/city lottery annual reports reviewed
103	Annual report nonfilers identified and referred to Inspections Section and/or Investigative Services
26	Annual report shortages or audited losses identified and referred to Inspections Section and/or Investigative Services
30	Other annual report violations identified and referred to Inspections Section and/or Investigative Services
17	Other annual report violations identified and referred to Policy Section and/or Legal Services

- 7 Field audits of bingo operations
- 19 Field audits of pickle cards operations
- 5 Field audits of keno operations (county/city lottery)
- 221 Letters written to licensees in an attempt to explain problems with the annual reports, how a nonprofit can use the annual reports to audit themselves
- 5 Field audit visits to explain problems on the annual reports, take inventory, reconcile what the organization deposited into the pickle card account to the calculated amount of the funds generated from the sale of pickle cards
- 31 Tracking of monthly reconciliation of pickle card funds for organizations reporting a shortage of funds
- 6 Organizations remitting additional tax of \$1,808.00 as a result of the annual report review or bingo audit
- 3 Organizations placed on legal stipulation (probation) as result of audits

In addition, memoranda, with audit findings and work papers, were prepared where there were violations of gaming laws and provided to Legal and Investigative Services for further action.

The Audit Section prepared for and testified for the Department of Revenue in two (2) formal hearings regarding gaming violations. A pickle card presentation, including handouts and transparencies, was completed for the state conference held for representatives of all Veterans of Foreign Wars within Nebraska.

The Audit Section continued working with the MicroSupport Unit to develop an improved and more extensive statistical FoxPro computer program to be used for the entry of 2000-2001 and future bingo, pickle card, and lottery/raffle annual reports. Considerable time and effort has been devoted to cross training within the section and with other Charitable Gaming staff in the keno audit and inspection areas. Several training sessions have been held, including training at the NAGRA conference, the divisional retreat, and in-house which will be continued into the next fiscal year.

The Inspection Section consists of a supervisor and six inspectors. The inspectors work out of regional offices located in Scottsbluff, Grand Island, Norfolk, and Omaha, as well as the main office in Lincoln. While the inspectors continue to review the conduct of bingo and the sales of pickle cards by licensees, they have extended their review to the financial reporting and record keeping of licensed organizations and their use of charitable gaming funds for lawful purposes. Inspectors have also begun reviewing the conduct of county/city lottery (keno) activities including the licensing of keno writers, the sponsoring community's controls, and the use of the funds designated for community betterment purposes. During the reporting period, the staff assigned to inspections conducted the following charitable gaming activities:

- 109 Bingo game inspections
- 449 Organization inspections (pickle card and lottery/raffle)
- 2,460 Pickle card operator inspections
- 112 Keno compliance visitations
- 11 Formal presentations to gaming licensees or potential licensees
- 18 Illegal device follow-ups

Investigative Services is responsible for investigative and enforcement functions involving charitable gaming activities, as well as numerous other responsibilities within the Department. Investigative Services staff members are located at various locations throughout the State, having responsibility for general investigations and license applicant background investigations.

Investigative Services continues to work closely with the Charitable Gaming Division on gaming related matters in an effort to keep gaming activities as well enforced as possible, and yet flexible enough to accommodate the public. During recent years, wagering on charitable gaming activities has shown a decline which, like in the past, has shown an effect on the gaming activities of Investigative Services, resulting in an 11 percent decrease in general investigations during this reporting period, compared to a 17 percent decrease the previous reporting period. It should be noted, however, that due to staffing changes within Investigative Services, each investigator is still assigned approximately the same amount of investigations as previously. The investigations conducted by the service area are both civil and criminal in nature and, following completion, a large number of those investigations are forwarded to local prosecuting attorneys for potential criminal prosecution. Investigative Services continues to enjoy an excellent working relationship with various law enforcement agencies and prosecuting attorneys throughout the State.

During the reporting period, Investigative Services conducted the following charitable gaming-related investigative and enforcement-related activities:

- 4 Manufacturer background investigations
- 5 County/City Lottery background investigations
- 227 Investigations resulting from alleged violations and/or complaints (all gaming activities combined)